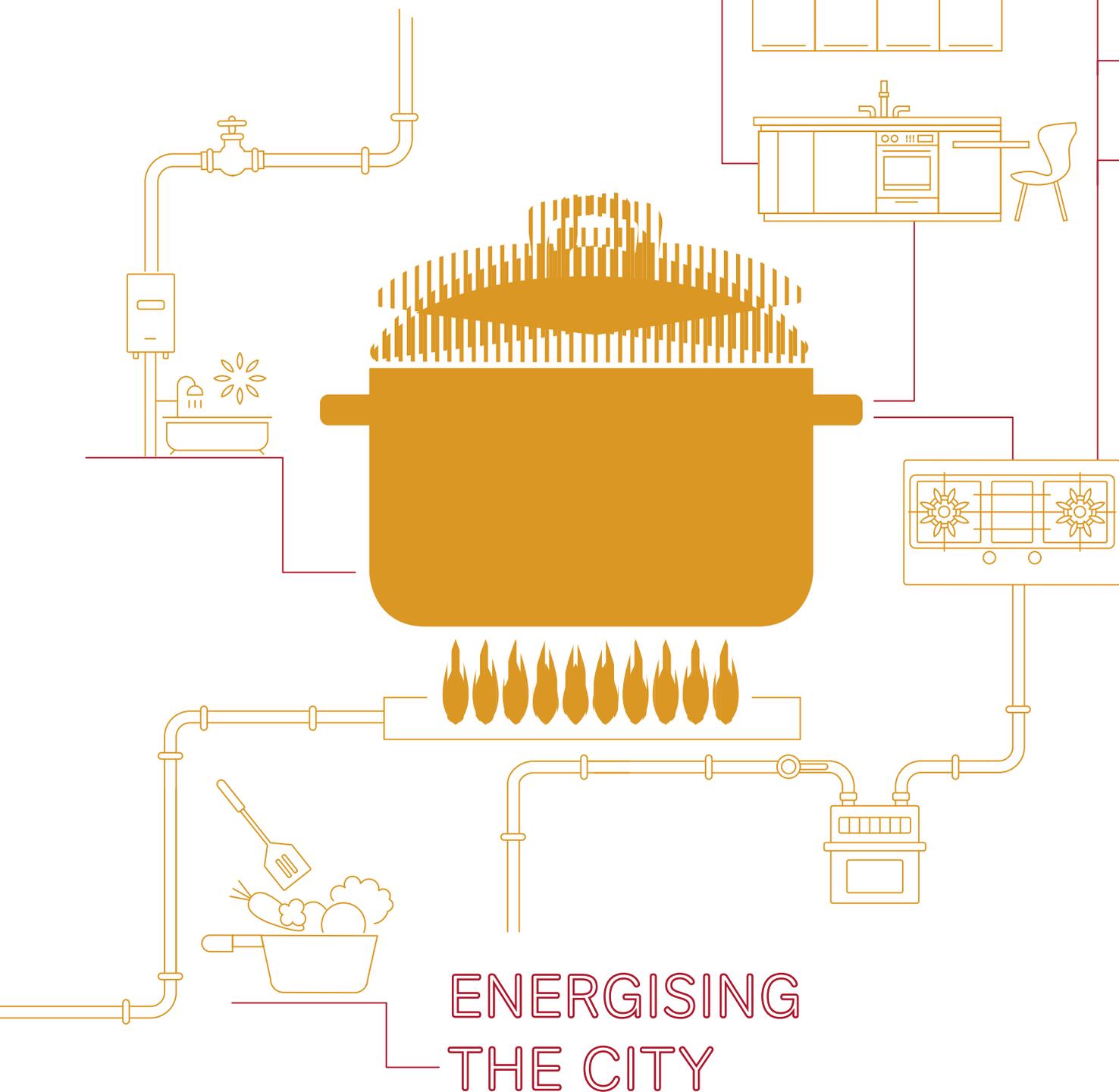


HONG KONG GAS BUSINESS



ENERGISING
THE CITY

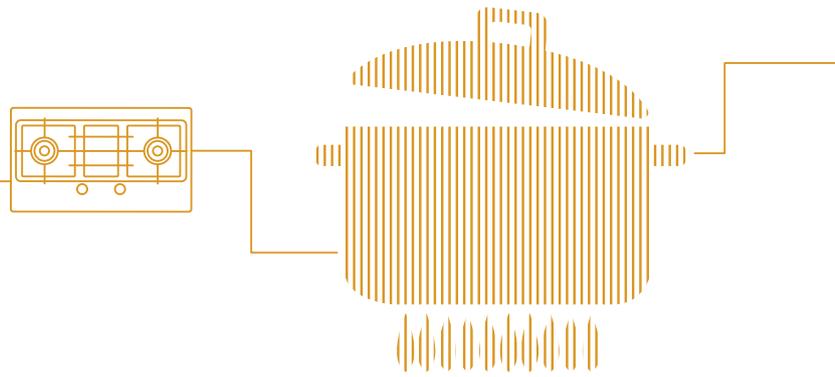
We expanded our B2B business with Total Kitchen Solution, selling more than 4,000 installations to property developers for new homes

Our gas clothes dryer celebrated its 20th anniversary since its debut, with accumulated sales of up to 154,870 units

Both Cook For Love and Total Kitchen Solution campaigns won HKMA/TVB Awards for Marketing Excellence 2015 – Merit Awards



HONG KONG GAS BUSINESS



As Hong Kong's first utility company, we remain foremost in the industry by continually re-evaluating our thinking. Our focus has been on growth, which we have achieved by crossing innovative thinking with prudent implementation. Even so, our foremost concern remains unchanged: providing safe and reliable gas supply as well as high quality products and services to our customers, year after year.

Residential and Commercial Activities

Affected by a decrease in the number of inbound tourists as well as an unseasonably warm year in Hong Kong, total volume of gas sales for the year was 28,404 million MJ, a decrease of 1.5 per cent. As at the end of 2015, our customer base further expanded to a total of 1,839,261 accounts, an increase of 19,326 over the previous year.

To help offset increasing manpower and operating costs, we raised the gas tariff by 3.5 per cent in August 2015. With 470,000 new residential units due to come into the market in the next 10 years, we foresee sales picking up significantly in the coming years.



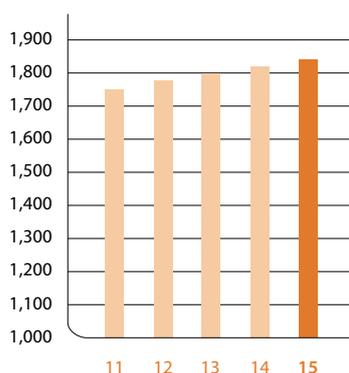
Despite the dip in inbound tourism in 2015, our commercial business performed well through our efforts to cultivate new gas applications. Hong Kong's two theme parks are diversifying their energy sources,

Ocean Park's Adventures in Australia utilises gas-powered Direct Fired Absorption Chiller/Heater in its central air conditioning system to maintain constant indoor temperature.



Number of Customers

Company (Thousand)



using gas to power air conditioning, dehumidifying and other applications as a more economical, environmentally-friendly and reliable alternative. Considered together with on-site catering services, we saw a strong increase of 36 per cent in gas sales within the parks.

Our business in the restaurant trade enjoyed stable growth with the introduction of tailor-made high-efficiency products. Our innovative range of automated cooking appliances has been well received in the commercial catering industry. Featuring waste-heat recovery functions together with automatic wok-tossing, smart flame timers and programmable jet oven features, these gas-powered appliances not only save energy and lower operating costs, they also allow for

a more consistent standard in cooking quality and help lower the risk of repetitive stress injury for employees.

During the year, we secured two new conversion-to-gas projects for the benefit of the environment – a laundry factory in Tuen Mun and a hospital in Wanchai operated by the Hospital Authority. It is expected that the switch of their diesel equipment to dual-fuel, allowing for the use of town gas, will be completed in 2016.

We will also be supplying landfill gas to generate electricity, which presents the added benefit of reducing carbon emissions and transforming waste into useful energy. Once construction is complete, a new generator located in the North East New Territories will annually supply 20 million MJ of electricity to the

Alice Ho Miu Ling Nethersole Hospital. As a combined heat and power system, the generator produces thermal by-products that will also be harnessed to produce steam and hot water for use in the hospital. The new system is due to come into operation in mid-2016.

We always strive to promote home cooking and family dining as a way to foster synergy amongst our residential projects and to transform our image beyond that of a traditional utility company. In 2015, our marketing campaigns – Cook For Love and Total Kitchen Solution, aiming at fostering family closeness through home cooking and a modern lifestyle respectively – were ranked among the top 10 in the HKMA/TVB Awards for Marketing Excellence 2015, taking home two Merit Awards.



The Mia Cucina Curva series embraces the curved lines of its cabinets to create a stylish kitchen.



Disciples Escoffier Diploma in Culinary Arts, a culinary course co-organised with Disciples Escoffier, received enthusiastic response.

In 2015, a total of 255,730 sets of appliances were sold with an increase of sales revenue by 6.4 per cent, compared to 2014. Through Total Kitchen Solution, we expanded our B2B business in the high-end retail and property development markets. Packaging our Mia Cucina kitchen cabinets with our TGC and Scholtès gas appliances, we offered a one-stop kitchen package to both the retail consumer and commercial developer markets. Fulfilling emerging needs for premium designs in compact kitchens, these packaged solutions are high in demand among Hong Kong's top developers. More than 4,000 kitchen solution installations were sold in 2015 alone. Our new Inner Pantry cabinets were also introduced this year, specially catering to the latest designs for studio flats. We are confident that they will quickly gain

popularity among Hong Kong's new generation of homeowners.

2015 marked the 20th anniversary since the debut of our popular gas clothes dryers in Hong Kong. To celebrate the success of this gas application, we launched an array of promotions to highlight the advantages of indoor gas clothes drying.

A Commitment to Customer Service

We are committed not only to high standards of quality in our products and services, but also to the safety and convenience of our customers. As evidenced by the 6,766 compliment letters that we received in 2015, our efforts are well appreciated by our customers.

For the past 20 years, we have carried out regular gas safety inspections every 18 months, keeping our

incident rates at record lows. Inspections are also good chances for our frontline staff to engage with customers, impart gas safety tips and address concerns directly.

Our customer engagement endeavours reaped tremendous rewards in 2015. We received the Sing Tao Service Awards – After Sales Service for the seventh consecutive year, East Week's Hong Kong Service Awards – Public Utilities for the fifth year running, and Ming Pao Weekly's Ming Pao Elite Awards – Public Utilities for the first time.

Our customer service hotline, powered by a state-of-the-art call management system, has enabled us to embrace an array of innovative service enhancements. These earned us the Mystery Caller Assessment (Phone-in) Gold Award, the Inbound Contact Centre Team Leader of the Year Gold Award, and the Inbound

RESULTS OF TOWNGAS SERVICE PLEDGE 2015

RELIABILITY



Uninterrupted gas supply (over 99.99%)
99.992%

3 days prior notification in case of supply interruption on account of maintenance or engineering work
100%

Restoration of gas supply within 12 hours
100%

SAFETY



Emergency Team average arrival time (within 25 minutes)
Average 20.96 minutes



SERVICE QUALITY

Efficiency*
8.85

Courteous and friendly attitude*
8.86

APPOINTMENTS



Availability of maintenance and installation services within 2 working days
Average 1.12 days

HANDLING SUGGESTIONS



Reply within 3 working days
100%

Resolution, or a statement of when the matter will be resolved, within 2 weeks
100%

SPEED AND CONVENIENCE



Customer Service Hotline (calls answered within 4 rings)
93.21%

Connect or disconnect gas supply within one working day
100% upon customer's request

Deposit refunded at Customer Centres (2 hours after disconnection of gas supply)
100% upon customer's request

* The result was based on surveys conducted by an independent research company. Our target is to exceed a score of 8 out of 10.



Our revamped mobile app provides a comprehensive range of services to enhance customer communication.

Contact Centre of the Year (over 50 seats) Bronze Award, organised by the Hong Kong Call Centre Association.

During the year, we revamped our mobile application for access to a wider range of online services, cooking recipes and green tips. Payments may now be settled at convenience stores anytime, simply by providing the in-app QR code.



A commemorative pattern created by over 1,000 Towngas employees and contractors during an event celebrating the 20th anniversary of the Regular Safety Inspection programme.

Gas Infrastructure

The year 2015 saw a continuation of our efforts to expand and upgrade our piped-gas network and infrastructure in Hong Kong, serving our customers and enhancing supply reliability.

Modifications to our Ma Tau Kok plant have been completed, allowing for natural gas to completely replace naphtha as the feedstock for the production of town gas. Not only will this further reduce NO_x emissions in the process, it will bring numerous economic benefits as well. As part of our ongoing efforts to enhance gas safety, we strengthened our trench inspection measures, engaged in more rigorous leakage surveys and conducted regular upgrades to aging pipes. These efforts have paid off, enabling us to realise the lowest numbers of both third-party damage incidents and network leakages. Moreover, our ongoing replacement

of medium pressure ductile iron pipes in our gas network is now approaching its final stages.

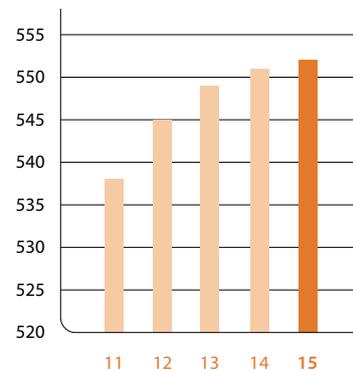
To enhance supply security for the residential sector in the North West New Territories, we are laying a looped pipeline 9 km in length along Castle Peak Road from the Tai Lam Station to the Tuen Mun North Station, and modifying these gas stations to support the added capacity. Pipelaying work is expected to be completed in 2017.

Another way to enhance supply security is developing new technology to improve our inspection and maintenance procedures. We use wireless quadcopters to conduct our riser inspections and detect gas leaks, greatly enhancing operation efficiency. Similarly, our Laparobot, a small robot designed to move within our network of pipes to detect and rectify abnormalities,

eliminates the need to dig up the pavement. Another invention is our Aquashield, which automatically seals off pipes compromised by water ingress in order to protect our underground networks from becoming inundated by water mains burst in the close vicinity.



Number of Customers per km of Mains Company



Towngas Network in Hong Kong

